PROVINCE OF SASKATCHEWAN

08-09

ANNUAL REPORT

SASKATCHEWAN
LIQUOR & GAMING
AUTHORITY

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This annual report is also available online at **www.slga.gov.sk.ca**

Letters of Transmittal

Regina, Saskatchewan
July 2009

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

I am pleased to submit the Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the period ending March 31, 2009. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*. The financial statements show a record financial year, with net income of $435 million.

In the last year, our Government has been hard at work fulfilling our promise to build a solid foundation for economic growth and create a safe and secure future for Saskatchewan families. SLGA has aligned with this direction and has developed strategies and actions to help deliver on Government's plan for Saskatchewan – to be strong and steady in the years to come.

Our Government is also dedicated to increasing transparency and accountability by inviting the public to measure our progress against our commitments to the Saskatchewan people. These include commitments made in: the election platform, the fall 2008 Speech from the Throne, the Ministers' mandate letters and the 2008-09 Budget Summary. This Annual Report demonstrates significant progress in the last year on a number of the Government's public commitments that relate to SLGA.

Highlights of SLGA's accomplishments in 2008-09 include regulatory changes allowing eligible businesses to offer U-brew and U-vin services, home delivery of beverage alcohol and other initiatives that are helping modernize Saskatchewan liquor laws. In addition to the launch of the saskliquor.com website, two specialty wine store franchises were announced and rural franchises were granted the authority to stock and sell liquor products not carried by SLGA stores. While increased flexibility in the regulatory and policy framework will help sustain Saskatchewan's economic growth, strengthening of the regulatory framework as it pertains to the socially responsible sale and service of beverage alcohol will help uphold the Government's commitment to safe communities.

Annual reports are an important accountability document and they also help inform future planning and resource allocation in the upcoming years. Given the strong results SLGA has shown in 2008-09, I am confident that it will continue to be a positive contributor to the growth and prosperity of the province in the years ahead.

Christine Tell
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Letters of Transmittal

June 2009
Honourable Christine Tell
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Christine Tell:

I have the honour of submitting the 2008-09 Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2009.

On behalf of SLGA, I acknowledge responsibility for this report and am pleased to provide assurances on the accuracy and reliability of the information contained within it.

This Annual Report highlights the many achievements of SLGA in 2008-09 and reflects yet another successful year for the organization.

Barry C. Lacey

Barry C. Lacey, CA, CMA
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This annual report presents SLGA's activities and results for the fiscal year ending March 31, 2009. It reports on public commitments made and other key accomplishments of SLGA.

As a transition year, the 2008-09 Annual Report follows a similar format to the 2007-08 Annual Report. However, it includes the Government's vision and three goals that were recently publicly stated with the release of the 2009-10 Budget. SLGA remains committed to the principles of enhanced accountability and will incorporate the values and the strategic direction of the government in the planning and reporting process as the organization moves forward. With the release of the 2009-10 Strategic Plan, SLGA will report on publicly committed strategies and actions in the 2009-10 Annual Report.

The 2008-09 Annual Report also sets the stage for the 2010-11 planning and budget process by providing an opportunity to assess the accomplishments, results and lessons learned and identifying how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

SLGA's 2008-09 Annual Report aligns with Government's vision and three goals:

Government's Vision:
A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals:

1. Sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

2. Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

3. Keep Government's promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

SLGA is working together with all Ministries and agencies to advance these goals and to help build the foundation for a prosperous future in Saskatchewan.

In 2008-09, SLGA supported Government's goals through advancement in the following key areas.

- Increased flexibility in the regulatory and policy framework in support of new business opportunities.
- Strengthened the regulatory framework as it pertains to the socially responsible sale and service of beverage alcohol.
- Improved customer service in response to consumer demand.

In addition, SLGA's $435 million net income for 2008-09, a 9.3 per cent increase over the previous year, will help fund Government initiatives in priority areas such as health, education and infrastructure.

Overview

The Saskatchewan Liquor and Gaming Authority (SLGA) is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves its mandate through socially responsible, fair and cost-effective services and programs delivered by employees at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 79 liquor stores in 64 communities throughout the province.

As of March 31, 2009, SLGA employed approximately 1,085 staff throughout the province (the comparable figure in 2007-08 was 1,033), the majority of which work part-time. Approximately 91 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* and works in partnership with a broad range of stakeholders and clients, including: the Federation of Saskatchewan Indian Nations (FSIN); the Saskatchewan Indian Gaming Authority (SIGA); Indigenous Gaming Regulators (IGR); Western Canada Lottery Corporation (WCLC); the Canadian Restaurant and Foodservices Association (CRFA); the Saskatchewan Hotel and Hospitality Association (SHHA); the Saskatchewan Liquor Vendors Association (SLVA); liquor-permitted establishments; non-profit clubs; charity associations/individual charities; Pollard Banknote; the Saskatchewan Responsible Gaming Association (SRGA); the Canadian Vintners Association; the Responsible Gambling Council (RGC); the Canadian Centre on Substance Abuse (CCSA); the Brewers of Canada; Spirits Canada; and, the SGEU (see Appendix B for an overview of SLGA's stakeholders and partners).

SLGA has six divisions:

- The Retail Operations Division is responsible for the purchasing, warehousing, distributing and retailing of beverage alcohol in Saskatchewan. The Division oversees Saskatchewan's liquor stores, franchises and a central distribution centre.
- The Regulatory Compliance Division is responsible for the licensing, inspection and monitoring of liquor and most gaming activities in the province. The Division is also responsible for horse racing and provides a range of community information and education seminars.
- The Gaming Operations Division is responsible for the planning, implementation and management of the Video Lottery Terminal (VLT) program, breakopen vending machine program and the slot machines in First Nations casinos along with the implementation of the operational agreements relating to the province's First Nations casinos.
- The Corporate Services Division provides financial, administrative, procurement, information systems, property management and audit support services to the organization.
- The Human Relations Division provides organizational development and human resource services to the organization.
- The Policy and Planning Division is responsible for corporate planning, performance measurement, performance reporting, policy development and analysis, privacy/Freedom of Information, research and evaluation and legislative services for the organization. The Division also plays a central role in the ongoing implementation of the Gaming Framework Agreement.

Progress in 2008-09

The first year of the Government's plan focused on economic growth and prosperity for the people of Saskatchewan. While national and international economies began to come under major stress in the last half of 2008-09, Saskatchewan's economy remained strong and experienced continued growth. Government's goal is to build on this success, ensuring the people of Saskatchewan continue to derive benefits from a thriving, yet sound economy.

With respect to SLGA, the Government remains committed to creating an efficient regulatory system which will in turn promote a stronger business climate and encourage investment in Saskatchewan. While increased flexibility in the regulatory environment is a key priority, Government realizes that economic growth should not occur at the expense of the safety and security of Saskatchewan families. SLGA's strategies support this balance, continuing to place emphasis on social responsibility issues and environmental stewardship. During 2008-09, SLGA has advanced the Government's direction through the implementation of several key initiatives and will continue to review and refine its policies and processes in an effort to promote the Government's vision and goals into the future.

Significant Achievements in 2008-09

The accomplishments of SLGA in 2008-09 have advanced the Government's agenda by helping bolster economic growth and strengthen our commitment to the safety and well-being of the Saskatchewan people. The following section highlights the key initiatives introduced in support of these goals.

SLGA has taken steps to allow new entrants into the market while at the same time strengthening the regulatory environment with respect to social responsibility. Changes to the regulatory and policy framework have helped better harmonize SLGA's dual commitment to economic growth and social responsibility, creating a system that supports both increased economic opportunities and safer communities.

Following stakeholder consultations, SLGA completed a review of liquor permitting and regulation in the Province in 2008-09. The review resulted in a number of regulatory changes that supported existing liquor permittees and created new permit categories that would draw new entrants into the market. All policy and regulatory amendments were in effect by April 1, 2009.

New Business Opportunities and Increased Flexibility

The regulatory amendments which introduced a new permit category for U-brews and U-vins were well received by the business community. Eligible businesses that receive a permit from SLGA can now offer supplies, space, equipment and expertise to customers who want to make their own beer and wine on-site. Supporting this type of business venture supports the small business sector in Saskatchewan, a key contributor to Saskatchewan's vibrant and growing economy.

SLGA also relaxed restrictions on mandatory hours of operations to allow private businesses to tailor their operating hours to meet customer demand. For example, several cost prohibitive restrictions previously prevented smaller restaurants from obtaining a permit to sell alcohol with a meal. By removing the requirement that restaurants must be open for a minimum number of continuous hours to be eligible for a liquor permit, the viability

of this type of business has improved. In addition, although a commercial permittee must be open for a minimum number of hours per week in order to be eligible for an off-sale endorsement, commercial permittees now have the flexibility to determine how they wish to allocate those hours in order to best meet the demands of their community and clientele.

A reduction in the mark-up applied on brew pub sales to other commercial permittees and refinements to the existing brew pub criteria will be instrumental in promoting the success of these ventures while also providing a meaningful framework for which to measure compliance. Sales of brew pub beer to other commercial permittees are now subject to the same mark-up rate that is applied to micro-brewery sales, complementing the favourable production levy rate applied on all brew pub on-table and off-sale beer sales. Lower minimum volume of production and tank capacity requirements will ensure future stability and encourage investment in this industry.

The introduction of a liquor permit for home delivery provides an additional revenue source for existing delivery companies and other interested businesses and allows commercial permittees additional opportunity to serve the beverage alcohol market that prefers home consumption.

Consistency with *National Fire Code of Canada* standards will simplify and improve compliance with capacity restrictions for liquor-permitted premises.

Social Responsibility

Other key changes stemming from the liquor review include the ability to have customers at liquor-permitted establishments request to have partially consumed bottles of wine recorked to take home. This initiative helps encourage responsible consumption because customers may not feel compelled to finish the bottle before leaving the establishment.

To further the socially responsible sale and distribution of beverage alcohol, fines and penalties were increased for permitted premises that sell alcohol to minors and intoxicated individuals. In addition, several offences already in place for liquor-permitted businesses have now been applied to Special Occasion Permit holders.

Improving Customer Service

A professional Public Service is a key ingredient to meeting the needs of the Saskatchewan people. SLGA regularly measures the level of customer satisfaction in its store operations through telephone surveys. Although the overall level of customer satisfaction continues to be favourable, the survey results have indicated a slight decline in customer satisfaction over time. In an effort to pinpoint the driving factors behind this trend, SLGA contracted a Saskatchewan research firm to conduct customer focus groups in six communities across the province. Key areas identified for improvement were increased product selection and in-store product knowledge and expertise. Increased and consistent engagement by store staff was also highlighted as an area for improvement. In response to these concerns, SLGA has implemented or approved the delivery of the following initiatives during the 2008-09 fiscal year:

Specialty Wine Store Franchises

In an effort to meet consumer demand for specialized product and services, SLGA expanded the existing rural franchise network to include two new specialty wine store franchises, one in Saskatoon and one in Regina. Currently, due to space limitations, SLGA is restricted to the number of wine products that it is able to stock in its warehouse and carry in SLGA liquor stores. Until recently, customers seeking wine products not listed by SLGA liquor stores only had the option of ordering a full case through SLGA's special order desk. With the advent of specialty wine store franchises, this niche market can now be served by knowledgeable specialized staff in Saskatchewan's two major centres. The specialty wine store franchises were selected through an open Request for Proposals process conducted by an independent third party on behalf of SLGA. The first specialty wine store franchise is expected to begin operations in Saskatoon in June 2009.

The ability to stock and sell products not carried by SLGA stores was also extended to rural franchises. By the end of the fiscal year, 10 rural franchises, primarily located close to urban centres or resort communities, had elected to provide this expanded service to their customers.

Launch of www.saskliquor.com

In addition to an enhanced retail shopping experience that features a greater selection of premium products, customers also expressed demand for increased accessibility to information and service via the internet. In response to this demand, SLGA launched a retail website that improves customer service.

Customers can search for specific product descriptions and availability, can find information about SLGA's 79 liquor stores and 188 rural franchises as well as obtain hours of operation and contact information. The website also contains information about how customers can special order products and also explains the different types of permits that are available for special events and the process individuals should follow to obtain a Special Occasion Permit (SOP).

Content available on the website will continue to be updated and modified over time to meet the needs of SLGA's retail customers.

Contribution to the General Revenue Fund (GRF)

SLGA's net income is transferred annually to the GRF to fund government initiatives in support of social and economic objectives such as health, education and infrastructure. Strong economic performance was experienced in both liquor and gaming sectors in 2008-09, generating an additional $37 million relative to last fiscal year. Sustaining this level of economic growth for SLGA, its stakeholders and the GRF will continue to influence the long-term plans of the organization. SLGA will continue to examine its internal operations to ensure that there is continuous improvement in operational efficiency and will explore opportunities for net income growth that take into account social responsibility concerns.

Progress by Key Business Area

In addition to the key achievements identified, several functions are performed on an ongoing basis to meet SLGA's obligations as a regulator, operator and distributor of liquor and gaming products across the province. The following section provides an overview of activities and results in each of SLGA's key business areas for 2008-09.

Liquor

Liquor Licensing

As the regulatory body for liquor-permitted premises, SLGA issued 1,666 commercial liquor permits to hotel taverns, nightclubs, brew pubs, restaurants and a variety of special use premises in accordance with *The Alcohol and Gaming Regulation Act, 1997*. Of these, 457 held an off-sale endorsement. This number is on par with 1,669 permits issued in 2007-08, 463 of which had off-sale endorsements.

SLGA also issues special occasion liquor permits for the province. Special occasion permits are required for anyone serving alcohol at special events such as weddings, cabarets and fundraisers. There were 15,774 permits issued in 2008-09 compared to 16,175 in 2007-08 (excluding extended hour and extended day permits).

Results

- Changes to the regulatory and policy framework that came into effect April 1, 2009 were supported by the licensing area.
  - > Application processes were developed to support the introduction of new permit categories.
  - > Permittee manuals were updated to incorporate the regulatory changes.
  - > The implications of specific regulatory changes were explained and communicated to existing liquor-permitted businesses and new applicants.

Liquor Retail

Saskatchewan's model for beverage alcohol distribution combines public liquor distribution with private franchises and off-sale outlets. SLGA operates 79 liquor stores in 64 communities throughout the province.

SLGA's distribution centre, located in Regina, processed 16,749 orders in 2008-09, an increase of 6.7 per cent from 2007-08 at an average of 137 cases of product per order for stores and 30 cases per order for franchises. This represents an annual flow of approximately 1.69 million cases of beverage alcohol that are received, stored and ultimately shipped across the province.

In 2008-09, SLGA listed 2,374 products, which includes general listings, specialty listings and domestic and imported beer. General listings increased to 1,225 (1,114 in 2007-08). The number of specialty listings declined to 743 (791 in 2007-08). Domestic and imported beer listings increased to 406 (350 in 2007-08), due primarily to a new entrant into the Saskatchewan beer market. SLGA granted 188 small businesses in rural Saskatchewan a franchise to sell beverage alcohol on its behalf in communities not supported by a liquor store. Liquor franchises are granted to viable small businesses in rural Saskatchewan providing an additional revenue stream to complement the franchise's main business area. These franchises serve a critical role in ensuring that all Saskatchewan residents have fair access to liquor products and services. With the exception of specialty order listings, all beverage alcohol must be sold to the public at the same price as in SLGA stores. In return, franchises receive a sales commission that ranges between 8.2 and 15.3 per cent of the sales value, depending upon the product.

Results

- An advanced Product Knowledge training program was launched to improve customer service at the retail store level.
- A new liquor store in Melfort is under construction and is expected to open in July 2009. The new store will be leased from the developer and will serve as an anchor in support of the neighbouring retail environment and will offer an expanded selection of products.
- The number of beer stock keeping units (SKUs) carried by each store has been reduced based on store specific sales. Less

popular package sizes have been eliminated to improve space allocation among product categories which helps ensure that adequate supplies of the most popular brands and sizes are available at each store.

- The merchandising and display policy has been revised to ensure that merchandising opportunities are fairly distributed among products and to ensure that SLGA's participation in industry led initiatives provides added value to the shopping experience of SLGA's customers.

Measurement Results

Liquor Purchases by Stakeholder

The following table illustrates the beverage alcohol purchases made by SLGA's partners, reflecting the extent to which the Saskatchewan market is served by a public/private partnership. The rural franchises and commercial permittees in turn generate additional revenue and economic activity through the re-sale of beverage alcohol in support of other core business areas such as accommodation and food services.

Saskatchewan's strong economy and its impact on these business sectors are evident in the following figures. Both stakeholder groups have experienced growth in the dollar value of liquor purchases over the past five years. This increase has been driven by a combination of industry price increases, trading up by the consumer to higher priced products and an increase in the volume purchased and ultimately sold by SLGA's partners.

Fiscal Year	Total Franchise Purchases	Total Commercial Permittee Purchases
2008-09	$45.0 M	$210.7 M
2007-08	$41.4 M	$200.7 M
2006-07	$37.1 M	$186.8 M
2005-06	$35.2 M	$175.2 M
2004-05	$34.4 M	$170.5 M

Customer Satisfaction

SLGA administers a customer satisfaction telephone survey every few years to gauge customer satisfaction and identify areas for improvement at its retail stores. There has been a slight decline in satisfaction over the past few years and in response to the 2007-08 results, SLGA initiated focus group sessions in April 2008 to identify specific areas of concern. The survey and focus group results identified a demand for greater product selection as well as increased product knowledge and engagement of store staff. The decision to open a Specialty Wine Store Franchise in Saskatoon and Regina was supported by this result. SLGA will also pursue additional customer service training in the coming year to improve engagement by retail store staff.

Customer Satisfaction	2002-03	2004-05	2007-08
Satisfied with Customer Service	92%	91%	88%
Customer Service Meets or Exceeds Expectations	97%	96%	95%

Note: All survey results are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level. Telephone survey administered to 1,500 customers across Saskatchewan.

Gaming

Video Lottery Terminal (VLT) Operations

SLGA owns and operates all VLTs in the province. SLGA contracts with the Western Canada Lottery Corporation to operate and maintain the VLTs and pays a commission to liquor-permitted establishments that host VLT machines.

As of March 31, 2009, there were 3,991 VLTs in 646 sites, located in 313 communities in Saskatchewan. SLGA continues to work within the provincial cap of 4,000 VLTs, while balancing social and fiscal responsibilities.

Measurement Results

Gross VLT Revenue

This measure reflects the gross amount of VLT activity prior to the payment of site VLT commissions. The decline in VLT activity in 2005-06 and 2006-07 reflects the impact of the province-wide smoking ban. VLT activity rebounded in 2007-08; however, increased gaming opportunities from the casino sector in both Saskatoon and Swift Current combined to lower overall VLT activity in the province.

	2004-05	2005-06	2006-07	2007-08	2008-09
Gross VLT Revenue	$257.2 M	$232.6 M	$233.6 M	$247.1 M	$241.0 M

VLT Site Commission

The VLT site commission revenue for the year ending March 31, 2009 was $36.6 million compared to $39.9 million in 2007-08. SLGA pays a 15 per cent commission to liquor permitted establishments that host VLTs and therefore has a direct relationship with overall VLT activity levels. The 2008-09 decrease in the VLT site commission is due to a one-time cost incurred in 2007-08 associated with the negotiated closing of the Emerald Casino in Saskatoon as well as the decline in VLT activity that occurred in 2008-09.

	2004-05	2005-06	2006-07	2007-08	2008-09
VLT Site Commission	$40.1 M	$36.4 M	$36.6 M	$39.9 M	$36.6 M

First Nations Gaming

First Nations casino gaming in Saskatchewan is conducted through an agreement between the Province and the Federation of Saskatchewan Indian Nations (FSIN). Currently, the Saskatchewan Indian Gaming Authority (SIGA) operates six First Nations casinos in Saskatchewan. The Living Sky Casino in Swift Current is the province's newest casino. The 50,000 square foot casino opened in late 2008 and offers more than 200 slot machines, live table games, a deli, restaurant and a performing arts centre.

The Painted Hand Casino in Yorkton opened its new expanded facility in March 2009. The modernized facility features more than 225 machines, live table games as well as food and beverage services. The 43,000 square foot facility also offers an entertainment centre for shows, banquets and conferences.

SIGA also operates the Dakota Dunes Casino located on the Whitecap Dakota First Nation south of Saskatoon; the Gold Eagle Casino in North Battleford; the Northern Lights Casino in Prince Albert; and the Bear Claw Casino on the White Bear First Nation.

Indigenous Gaming Regulators (IGR) was assigned responsibility for licensing and regulating on-reserve charitable gaming by the Government under a Licensing Agreement between SLGA and IGR. In addition to licensing and regulating, IGR works with First Nations communities to bring awareness to the legal responsibilities of charitable gaming operations. The scope of IGR's mandate is expected to expand to include the licensing of on-reserve charitable gaming employees and suppliers as they build their regulatory capacity over time.

Under the terms of the amended Gaming Framework Agreement (GFA) between the Province and the FSIN, the First Nations Trust (FNT) receives 50 per cent of the net profits from SIGA casinos, 25 per cent goes to the Province's General Revenue Fund (GRF) and 25 per cent goes to Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs support similar objectives in and around the casino host communities.

Under the GFA, payments are also made from SIGA profits to: IGR ($2.6 million) to support its work in regulating charitable gaming on reserve; the First Nations Addictions Rehabilitation Foundation ($2.1 million) for problem gambling services; and, to the FSIN to support its efforts to prepare proposals for the federal government regarding on-reserve gaming jurisdiction ($250,000) and for other gaming initiatives ($250,000). These payments are made prior to the

profit distribution described previously. As of March 31, 2009, SIGA casinos employed 2,110 people, 73 per cent of whom are of Aboriginal heritage.

Results

- Over the past year, work with IGR has continued with respect to their delegated authority to regulate charitable gaming on reserve. IGR received positive results on its one-year operational assessment and SLGA and IGR have agreed to Terms of Reference for the assessment of the Audit Services area which is scheduled for early 2009-10.
- Within the SIGA environment, IGR and SLGA continue regulatory collaboration. Discussions have occurred with respect to IGR performing regulatory work at SIGA's Swift Current casino pending the casino land attaining reserve status.

Measurement Results

SIGA opened the Dakota Dunes Casino in 2007-08 and the Living Sky Casino in 2008-09 resulting in 750 additional slot machines over two years. SLGA owns the slot machines located in SIGA's casinos and the revenue is distributed according to the revenue sharing formula in the GFA. The additional slot machines have contributed to the continued growth of SIGA's net income over time.

	2004-05	2005-06	2006-07	2007-08	2008-09
SIGA Net Income	$34.0 M	$40.2 M	$48.8 M	$58.1 M*	$59.9 M

* 2007-08 SIGA net income has been restated to reflect expenses related to interest rate swap.

Charitable Gaming Licensing

SLGA licenses and regulates charitable forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events, as well as temporary exhibition casinos. SLGA conducts this regulatory activity through a range of licensing, monitoring and auditing activities.

The total number of charitable gaming licenses issued in 2008-09 was 3,117 compared to 3,393 in 2007-08. Total charitable gaming proceeds for 2008-09 were $26.4 million, a slight increase of 3.1 per cent from 2007-08. Declining bingo sales were somewhat offset by a slight increase in breakopen sales resulting from the introduction of new breakopen products to the bingo market while raffle proceeds continue to increase.

Horse Racing

SLGA also regulates and supports horse racing in the province. In 2008-09, three horse racing tracks were operating in the province: Marquis Downs (Saskatoon Prairieland Park Corporation); Melville Agri-Park; and, Yorkton Exhibition Association. The provincial handle was $11.4 million in 2008-09, slightly down from $11.5 million in 2007-08. Although the live racing handle was up in 2008-09, this was offset by a decline in simulcast activity. The season included 29 days of thoroughbred racing, 24 days of standardbred racing and two days of mixed thoroughbred/speed horse racing.

Measurement Results

Charitable Gaming Grant

The charitable gaming grant program was implemented in 2006-07 to help stabilize revenue to the charitable gaming sector. The grant program issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities. In 2008-09, approximately $6.7 million in grant payments were expensed.

	2006-07	2007-08	2008-09
Charitable Gaming Grant	$5.0 M	$8.0 M	$6.7 M

Note: The 2006-07 grant expense underestimated the actual liability and the $8.0 million expense in 2007-08 corrected this error. The amount expensed should have equalled $6.4 million in 2006-07 and $6.6 million in 2007-08.

Horse Racing Grant

Three tracks received support for horse racing: Marquis Downs, Melville Agri-Park and the Yorkton Exhibition Association. The grants provide funding for purses, racing operations, breeding incentives and facility improvements that support the horse

racing industry in Saskatchewan. Total grants paid to the horse racing industry in 2008-09 were $1.5 million.

Compliance

SLGA develops, administers and enforces the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA works in collaboration with law enforcement authorities, the Provincial Auditor's Office and other regulatory agencies in order to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

Results

- SLGA registers all gaming employees in the province, as well as suppliers of gaming and non-gaming goods and services to the industry. In 2008-09, SLGA registered 3,721 gaming employees and 78 suppliers.

- In 2008-09, the total number of sanctions increased to 309, from 283 in 2007-08. As of March 31, 2009, SLGA had imposed 133 liquor-related sanctions; 126 charitable gaming-related sanctions; and, 50 horse racing sanctions.

- Contacts with respect to inspections and investigations totalled 6,282 and 2,456 respectively. Additionally, there were 58 audits and reviews of liquor stores, casinos, charitable gaming organizations and SLGA head office operations in 2008-09.

- SLGA provides a range of formal consultations and educational workshops to a variety of stakeholders and clients about regulatory compliance standards. These workshops are intended to promote awareness about the laws and regulations governing the liquor and gaming industries in Saskatchewan. In 2008-09, SLGA conducted 302 formal workshops/meetings/consultations, an increase of 123 from 2007-08. This included: community workshops, community meetings, consultations, liaison/meetings, training and charitable gaming consultations. The increase in 2008-09 is due to increased education related to sanctions, the issuance of Special Occasion Permits and increased charitable gaming consultations.

Social Responsibility

SLGA plays a key partnership role in promoting the socially responsible use of liquor and gaming products in collaboration with agencies like Saskatchewan Health, Saskatchewan Government Insurance, the Canadian Mental Health Association, Saskatchewan Responsible Gaming Association and the Saskatchewan Prevention Institute.

Results

- An RFP was issued for the provision of Responsible Gambling training for VLT operators. Meyers Norris Penny was the successful proponent and work has proceeded in developing the training program. The program will be launched in June 2009.

- SLGA participated in an inter-jurisdictional research project examining the use of smart card technology that is designed to enable electronic gaming machine (EGM) players to set limits in advance of play and to get feedback on their spending patterns. The study examined the different types of technology being used in ongoing initiatives that are underway in North America, Europe and Australia. Of primary importance is the level of acceptance by gamblers and the effectiveness in reducing the incidence of, and harm from, problem gambling. Interviews and focus groups were conducted across Canada in 2008. The Responsible Gambling Council expects to release the final report in the summer of 2009.

Environmental Stewardship

The Government is committed to reducing its environmental footprint. SLGA has taken steps to promote greener business practices aimed at improving the environment. In addition to SLGA's ongoing recycling efforts and waste minimization initiatives the following initiatives were pursued in 2008-09.

Results

- Consultations occurred with each division within SLGA to solicit information and ideas regarding the ongoing responsible use three-year plan and corporate environmental stewardship. Following review, select proposals will be evaluated to determine their feasibility.
- In the latter part of 2008-09, a consulting firm was hired to undertake prototype energy conservation and efficiency audits on select SLGA owned properties. These audits will be reviewed during 2009-10 to determine the merits of proceeding with additional energy audits and the potential energy efficiency cost savings, if any, associated with future building and support system modifications.

Internal Operations

Employee Initiatives

SLGA is a significant employer in the province, with approximately 1,085 full-time, part-time and casual staff in 64 communities as of March 31, 2009. SLGA's services and programs are delivered by employees located within its head office in Regina, a liquor distribution centre in Regina, an office in Saskatoon and a network of 79 liquor stores. Approximately 91 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA works collaboratively with the SGEU, the Saskatchewan Human Rights Commission, the Ministry of First Nations and Métis Relations and other key stakeholders in developing and implementing strategies related to meeting the objective of a representative workforce.

Results

- As of March 31, 2009, 762 employees from across the organization have attended *Harassment & Violence in the Workplace Awareness* training. By December 2009, all employees will have had the opportunity to attend a session with only ongoing maintenance of the program required for new employees.
- To encourage a culture of managerial coaching, a new Performance Planning and Feedback (PP&F) process for out-of-scope employees was introduced in June 2008. Following evaluation of the process in February 2009, the template and guidelines were simplified and the process is now in use across the organization.
- Core competency profiles are now complete for 96 per cent of employees and are being widely used for recruitment, selection and the PP&F process.
- In order to advance the representative workforce agenda within the organization, the functions of the Aboriginal Partnership Agreement and the Employment Equity programs have been combined under the corporate Representative Workforce Strategy. A Representative Workforce Policy also received approval in 2008-09 and has been incorporated into all hiring and retention processes.

Measurement Results

Representative Workforce

The following measure depicts the employment status of the four equity groups within SLGA. The measure is an important indicator for evaluating progress towards achieving a diverse and representative workforce. SLGA has set the Saskatchewan Human Rights Commission's equity group employment targets as a long-term goal. It is important that the composition of SLGA's workforce is representative of the population that it serves. For 2009, the current targets are: 47 per cent of employees at all levels are female; 14.3 per cent are Aboriginal people; 9.7 per cent are persons with disabilities; and, 3.1 per cent are visible

minorities. Although equity group employment statistics fell in 2008-09, the redirected focus of the representative workforce strategy is projected to yield positive results in the near to medium-term.

Equity Group	2004-05	2005-06	2006-07	2007-08	2008-09
Aboriginal People	5.2%	5.3%	5.2%	5.2%	4.3%
Women (Overall)	58.5%	60.0%	61.9%	61.8%	61.4%
Persons with Disabilities	4.0%	3.7%	2.7%	2.7%	1.9%
Visible Minority Persons	2.8%	2.9%	2.7%	2.7%	2.4%

Business Processes and Infrastructure

SLGA continually revisits its business processes and examines its information technology (IT) infrastructure to ensure adequate controls are in place and that the IT architecture is positioned to react to temporary service disruptions and to respond to the changing business environment.

Results

- SLGA has undertaken a review that will identify critical business processes, assess current IT risks and capabilities and develop strategies for business and technology resilience. This work will continue into 2009-10, after which the appropriate business continuity plan, executive response plan and technology recovery plan will be developed and implemented.
- In addition, preliminary work has been completed on an emergency response preparedness plan that includes the development of a Disaster Management Policy and implementation strategy.
- Development work was completed on the automation of the special liquor order process to improve operational efficiency and reporting capabilities in light of the increased volume in this area. The new automated system is expected to be operational in the first quarter of 2009-10.

Financial Overview

The primary indicator of SLGA's financial success is SLGA's overall net income. SLGA's net income reflects the total net revenue generated by the province's liquor industry and the majority of the commercial gaming industry minus operating expenses, including associated regulatory and compliance costs. SLGA's net income is transferred annually to the province's General Revenue Fund (GRF).

SLGA experienced another record year. SLGA's net income for 2008-09 was $435 million, up 9.3 per cent from its 2007-08 net income of $398 million, and significantly higher than SLGA's 2008-09 budgeted net income of $383.6 million. Liquor sales continued to be strong, buoyed by the strength of the Saskatchewan economy. In addition, the Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $4.5 million reduction in SLGA's labour related pension costs.

Measurement Results

Store Operating Costs as a Per Cent of Store Sales

This measure demonstrates SLGA's efforts to maximize liquor store revenues by using the least amount of operational resources. Given the nature of SLGA store costs in terms of labour, capital and equipment costs, the outcome of this measure reflects a high degree of efficiency. The closure of one liquor store in Moose Jaw, early in 2008-09, had a positive influence on this measure.

	2004-05	2005-06	2006-07	2007-08	2008-09
Store Operating Costs as % of Store Sales	12.3%	13.0%	12.7%	12.6%	10.6%*

* The Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $3.4 million reduction in store labour related pension costs.

Licensing, Regulating and Support Expenses as a Per Cent of Revenue

This is an efficiency measure that depicts the overall cost of generating revenue. The measure reflects SLGA's efforts to optimize revenue and incorporates the expenditures that SLGA requires to meet its operational and regulatory roles. The measure is an indicator of how efficiently SLGA conducts its internal operations and uses public resources.

SLGA's licensing, regulating and support expenses as a percentage of revenue for the year ending March 31, 2009 is 3.1 per cent, down from 3.7 per cent in 2007-08. Strong revenue growth combined with controlled expenditure growth was the key driver of improvement in this indicator.

	2004-05	2005-06	2006-07	2007-08	2008-09
Licensing, Regulation & Support Expenses* as % of Revenue	3.4%	3.7%	3.5%	3.7%	3.1%**

*Grant expenses are not linked to the overall cost of generating revenue in the licensing and support function of SLGA and as such are not included in this measure.
** The Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $1.1 million reduction in head office labour related pension costs.

VLT Net Income as a Per Cent of VLT Revenue

The profit margin on VLT operations indicates that in 2008-09, VLT activity generated 81 cents in net income for each dollar of VLT revenue. This operating ratio has been relatively constant since 2004-05; however, SLGA's VLT inventory became fully amortized in 2008-09, significantly reducing annual operating expenses.

	2004-05	2005-06	2006-07	2007-08	2008-09
VLT Net Income as % of VLT Revenue	75.3%	74.6%	74.9%	74.9%	81.2%

SIGA Net Income as a Per Cent of SIGA Net Revenue

This measure equates to SIGA's profit margin and indicates that SIGA earned 26.4 cents on each dollar of revenue it generated. The decline in this ratio over the past two years reflects start-up costs associated with the opening of the Dakota Dunes and Living Sky Casinos as well as construction costs associated with the expansion and relocation of the Painted Hand Casino in Yorkton. In addition, the accounting treatment of interest rate swaps has resulted in additional interest expense being allocated to both 2007-08 and 2008-09 expenses.

	2004-05	2005-06	2006-07	2007-08	2008-09
SIGA Net Income as % of SIGA Revenue	33.7%	34.7%	37.8%	31.5%*	26.4%

* 2007-08 figure has been restated.

Marginal Return on Expenses (MRE)

The MRE is intended to demonstrate SLGA's overall return on investment for the expenditures it makes. The measure expresses a ratio between the change in net income compared to the change in total expenses where any outcome greater than zero is a positive outcome. This measure reflects the principle that while operating expenses can increase this growth in expenditures often leads to an increase in net income. The MRE has remained positive each year following the one-time negative result when SLGA's VLT revenues declined as a result of the province-wide smoking ban.

	2004-05	2005-06	2006-07	2007-08	2008-09
MRE	1.24	-0.94	1.61	0.49*	2.23

* 2007-08 MRE has been restated to reflect restatement of SIGA net income.

SLGA Net Income

Historically, SLGA has demonstrated a steady increase in its net income. Through increasing net income, SLGA contributes significantly to Government's revenue needs for funding key programs.

The decline in 2005-06 was a result of the *Tobacco Control Amendment Act, 2004* and its effects on VLT revenue. The growth in 2008-09 is largely due to continued growth in the liquor sector and continued growth in net income from SIGA casinos. The growth from 2007-08 was also positively influenced by the one-time cost associated with the closure of the Emerald Casino in 2007-08. As well, the Liquor Board Superannuation Plan changed its long-term economic discount rate assumption because of the economic market conditions. This change resulted in a $4.5 million reduction in SLGA's labour related pension costs.

	2004-05	2005-06	2006-07	2007-08	2008-09
SLGA Net Income	$362.1 M	$351.4 M	$370.3 M	$398.0 M*	$435.0 M

* SLGA 2007-08 net income has been restated to reflect restatement of SIGA net income.

Management's Report

The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

SLGA's management has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within SLGA, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined the Authority's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion on the fairness of presentation of SLGA's financial statements in accordance with Canadian generally accepted accounting principles.

Barry C. Lacey, CA, CMA
President & CEO

R Wiley

Rod Wiley, CMA FCMA
Vice-President & CFO

Valerie Banilevic

Regina, Saskatchewan
July 3, 2009

Valerie Banilevic, CMA
Director, Financial Services

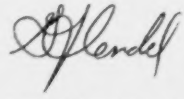
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Liquor and Gaming Authority (SLGA) as at March 31, 2009 and the statements of operations and retained earnings (deficit), and cash flows for the year then ended. SLGA's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of SLGA as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
July 3, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31

	2009 (000's)	2008 (000's) Restated (Note 20)
ASSETS		
Current assets:		
Cash	$ 5,251	$ 1,618
Due from General Revenue Fund (Note 3)	39,645	46,356
Accounts receivable (Note 7)	34,070	47,722
Prepaid expenses	606	662
Inventories (Note 2(d) & 2(i)(i) & 5)	26,059	24,133
	105,631	120,491
Property, plant and equipment (Note 6 & 8)	55,433	56,059
	$ 161,064	$ 176,550
LIABILITIES AND RETAINED EARNINGS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 21,227	$ 29,626
Payable to General Revenue Fund (Note 4)	113,709	108,673
Goods and Services Tax payable (Note 8)	2,055	1,698
	136,991	139,997
Accrued pension liability (Note 9)	37,823	38,670
	174,814	178,667
Retained earnings (deficit) (Statement 2)	(13,750)	(2,117)
	$ 161,064	$ 176,550

Commitments (Note 11)
Contingencies (Note 16)

(See the accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
For the Year Ended March 31

	2009		2008
	Budget (000's) (Note 13)	Actual (000's) (Note 14)	Actual (000's) Restated (Note 20)
Revenues:			
Liquor sales (Note 12)	$ 445,802	$ 506,471	$ 469,748
VLT	238,823	240,991	247,137
Slot machines (Note 10)	167,786	217,668	178,307
License, permit, and other income	3,103	2,638	4,369
	855,514	967,768	899,561
Less promotion allowances (Note 2(b))	6,194	6,788	6,387
	849,320	960,980	893,174
Direct expenses:			
Cost of Liquor	223,535	254,025	236,435
VLT site commission (Note 2(c) & 11)	35,823	36,556	39,884
	259,358	290,581	276,319
Operating expenses (Schedule 1):			
VLT, liquor, and other gaming	93,988	84,436	105,029
Slot machines	104,355	126,988	98,969
Other (Note 10)	8,037	16,672	11,844
	206,380	228,096	215,842
Unrealized gain (loss) on interest rate swaps (Note 18)	—	(7,346)	(3,014)
Net income for the year	$ 383,582	434,957	397,999
Retained earnings (deficit), beginning of year		(2,117)	(585)
Adoption of new accounting standards (Note 2(i)(i))		62	—
Transfer to General Revenue Fund (Note 4)		(446,652)	(399,531)
Retained earnings (deficit), end of year – to Statement 1		$ (13,750)	$ (2,117)

(See the accompanying notes to the financial statements)

Statement 3

LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2009 (000's)	2008 (000's)
Cash flows provided by (used in) operating activities:		
Cash receipts from liquor sales, VLT, slot machines, and other revenue	$ 1,001,099	$ 904,657
Interest received	630	84
Payments made to suppliers, employees and other	(519,760)	(451,231)
Payments made to grant recipients	(9,080)	(9,480)
Payment of Goods and Services Tax	(20,976)	(21,545)
	451,913	422,485
Cash flows provided by (used in) investing activities:		
Purchase of property, plant and equipment	(13,505)	(22,123)
Disposition of property, plant and equipment	130	124
	(13,375)	(21,999)
Cash flows (used in) financing activities:		
Cash deposited in General Revenue Fund (Note 4)	(441,616)	(391,951)
Net (decrease) increase in cash position	(3,078)	8,535
Cash position, beginning of year	47,974	39,439
Cash position, end of year	$ 44,896	$ 47,974
Cash position consists of:		
Cash	$ 5,251	$ 1,618
Due from General Revenue Fund	39,645	46,356
	$ 44,896	$ 47,974

(See the accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2009

1. Description of Business

The Liquor and Gaming Authority (SLGA) operates under *The Alcohol and Gaming Regulation Act, 1997*. SLGA's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

SLGA operates retail liquor stores and video lottery terminals. SLGA conducts and manages the breakopen vending machine program in the Province. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these statements.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, SLGA is classified as a government business enterprise. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), applicable to for-profit entities. The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported value of assets, liabilities, and disclosed contingent liabilities and commitments at the date of the financial statements, and the amounts of revenue and expenses for the year then ended. The most significant estimates are related to the physical and economic lives of capital assets and accrued pension liability. Actual results could differ from those estimations. The significant policies are described below.

(a) Revenue

Liquor Sales

Sales are recorded net of returns, container deposits, Goods and Services Tax, Liquor Consumption Tax and discounts.

Licence Fees

Liquor and gaming licence fees are recorded when the licence is approved. Exhibition casino licence fees are based on the net revenue generated by the exhibition casino. SLGA records these fees as the exhibition casino generates net revenue.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

Slot Machines

Revenues from casino slot machines are recorded net of prizes paid out.

(b) Promotional Allowances

SIGA offers a customer loyalty program to its patrons. As part of the program, club members accumulate points based on amounts wagered and can redeem their points for cash. The cash value of the points accumulated is recorded as a promotional allowance.

(c) VLT Site Commission

Establishments where VLT are located are entitled to a commission based on 15% of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

Inventories of wines, coolers, spirits, beer and gaming machine parts are valued at the lower of average cost and net realizable value.

Cost for liquor inventories is determined using the weighted average cost method. Cost for gaming machine parts is determined principally on a first-in, first-out basis. Inventory cost includes the costs of purchase plus other costs, such as excise duties and taxes and transportation that are directly incurred to bring inventories to their present location. Previous write-downs of inventories to net realizable values are reversed when inventory values increase.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized commencing in the year which these assets are placed in service on a straight-line basis at rates designed to allocate the cost of these assets over their estimated useful lives. Rates are as follows:

Buildings	2.5 – 20% per annum
Furniture & equipment	15 – 33% per annum
VLT and slot machines	20% per annum
Breakopen vending machines	15 – 33% per annum

Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

(f) Pension Expense

The cost of the pension benefits earned by employees, who are members of SLGA's defined benefit plan (closed to new members since 1977), is determined using the projected benefit method prorated on service. The amount of the expense reflects management's best estimate of the plan's expected investment performance, salary escalation, mortality of members, terminations, and the ages at which members will retire and post retirement increases, based upon the Consumer Price Index, as required by *The Superannuation (Supplementary Provisions) Act.*

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. Pension plan assets are valued at fair value (market value) for the purposes of calculating the expected return on plan assets. The net actuarial gain (loss), transitional obligation resulting from adoption of new accounting rules in 2001, and plan amendments are amortized beginning in the year they arise over the expected average remaining service life of members of the defined benefit plan.

Employees hired after 1977 are members of a defined contribution pension plan. SLGA expenses contributions it is required to make for current service of those employees. SLGA's liability for these employees is limited to the required employer's contributions.

(g) Grants

Grants are recognized when approved and eligibility criteria, if any, are met.

(h) Financial Instruments

Held for trading financial assets are measured at fair value. Changes in the fair value are recognized in the Statement of Financial Position and Statement of Operations and Retained Earnings (Deficit). For Cash and Due from General Revenue Fund, their fair value is determined at cost, which approximates market value. Cash denominated in foreign currency is translated at the foreign exchange rate in effect at year end.

Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

Fair value for the Payable to the General Revenue Fund cannot be determined because of the nature of the account.

Pursuant to the Casino Operating Agreement (Note 10), SLGA authorized SIGA to enter into long-term debt arrangements. It also authorized SIGA to enter into interest rate swaps in order for SIGA to manage the interest rate exposure on its long-term debt. SLGA's exposure to the interest rate risk arising from this long-term debt, the interest rate swap arrangements, and SIGA's other financial instruments is disclosed in Note 18. Changes in the fair value of the interest rate swaps are recorded as an unrealized gain or loss in the year they occur.

SLGA has not identified any material embedded derivatives in any of its financial instruments that are required to be separately valued.

(i) Changes in Accounting Policies

(i) Inventory

Effective April 1, 2008, SLGA implemented the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031 *Inventories* which replaces Section 3030 of the same name. This new standard requires additional disclosures including the accounting policies used in measuring inventories, the carrying amount of inventories, amounts recognized as an

expense during the period, any amounts of inventory pledged as security, write-downs and the amounts of any reversal of any write-downs recognized as a reduction in expenses.

In accordance with the transitional provisions of this new accounting standard, SLGA has elected to adjust the April 1, 2008 opening retained earnings by the difference of the measurement of the April 1, 2008 opening inventories of wines, coolers, and spirits in stores and has not restated prior period amounts. The following balance sheet accounts were increased on April 1, 2008:

	(000's)
Inventories	$62
Retained earnings (deficit)	$62

(ii) Financial Instruments

Effective April 1, 2008, SLGA adopted CICA Handbook Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* which replaces the disclosure requirements of Section 3861 *Financial Instruments – Disclosure and Presentation.* Section 3862 requires the disclosure of the nature and extent of risks arising from financial instruments and how those risks are managed. Section 3863 carries forward the presentation requirements and provides additional guidance for the classification of financial instruments. The adoption of these sections had no impact on SLGA's operating results.

(iii) Capital Disclosures

Effective April 1, 2008, SLGA adopted CICA Handbook Section 1535 *Capital Disclosures* which establishes standards for the disclosure of qualitative and quantitative information about how capital is managed within an organization. This disclosure is provided in Note 19. The adoption of this new section had no impact on SLGA's operating results.

(j) Recent Accounting Pronouncements

The Canadian Accounting Standards Board (AcSB) will require all publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS). IFRS will replace current Canadian GAAP for those enterprises effective January 1, 2011. For SLGA, IFRS will be effective for annual periods commencing April 1, 2011, including the preparation and reporting of one year of comparative figures. SLGA is currently in the process of evaluating the impacts and implications from its conversion to IFRS and will invest in training and resources throughout the transition period to facilitate a timely conversion.

3. Due from General Revenue Fund

Most of SLGA's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. During the year, the General Revenue Fund did not pay interest on SLGA's bank accounts.

4. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows SLGA to provide interest fee advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until the Treasury Board determines the disposition of SLGA's retained earnings. Under subsection 182(1) of the Act, the Treasury Board may, at any time, direct that all or any portion of SLGA's retained earnings be transferred to the GRF. The Treasury Board has directed SLGA to transfer $446,652 thousand (2008 - $399,531 thousand) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2009 (000's)	2008 (000's)
Payable to GRF at beginning of year	$ (108,673)	$ (101,093)
Deposits during the year	441,616	391,951
Transfer to GRF	(446,652)	(399,531)
Payable to GRF at end of year	$ (113,709)	$ (108,673)

5. Inventories

	2009 (000's)	2008 (000's)
Wines, coolers and spirits in stores	$ 7,642	$ 8,312
Wines, coolers and spirits in warehouse	10,852	10,318
Beer in stores	3,903	2,346
Gaming machine parts	3,662	3,157
	$ 26,059	$ 24,133

The cost of liquor and gaming machine parts inventories recognized as an expense during the year ending March 31, 2009 was $254,025 thousand and $248 thousand respectively. During the year, SLGA had no write-downs of inventory below cost and no reversals of inventories previously written down. As of March 31, 2009, there was no amount of inventory pledged as security.

6. Property, Plant and Equipment

	2009			2008		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Land	$ 2,312	$ ---	$ 2,312	$ 2,312	$ ---	$ 2,312
Buildings	30,136	16,699	13,437	29,789	15,598	14,191
VLT	70,554	69,567	987	70,880	68,876	2,004
Slot Machines	54,803	24,981	29,822	46,680	19,878	26,802
Furniture & equipment	34,924	27,337	7,587	32,882	23,759	9,123
Breakopen vending machines	2,987	2,984	3	2,987	2,984	3
Leasehold Improvements	8,287	7,002	1,285	8,279	6,655	1,624
	$ 204,003	$ 148,570	$ 55,433	$ 193,809	$ 137,750	$ 56,059

7. Accounts Receivable

	2009 (000's)	2008 (000's) Restated (Note 20)
Slot machines receivable – SIGA	$ 31,361	$ 41,327
VLT receivable	1,168	5,170
Other	1,541	1,225
	$ 34,070	$ 47,722

8. Goods and Services Tax (GST)

SLGA is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, SLGA calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula required SLGA to pay 10% (12% prior to January 1, 2008) on the purchase of taxable goods and services related to gaming programs but only 5% (6% prior to January 1, 2008) on VLT site contractor commissions.

The GST paid on property, plant and equipment for gaming is set up as part of the cost of the asset and is amortized on a straight-line basis over the useful life of the property, plant and equipment.

SLGA also pays GST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

9. Pension Plan

SLGA sponsors a defined benefit plan and participates in a multi-employer defined contribution plan covering substantially all of its employees. The defined contribution plan is called the Public Employees Pension Plan (PEPP). During the year, SLGA paid PEPP and expensed a total of $2,407 thousand (2008 - $4,135 thousand) which included required current contributions. For the year ending March 31, 2008, the expense included required current contributions and $1,800 thousand for the future settlement of potential obligation relating to the past service contributions of certain part-time employees.

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan), for SLGA. The Plan provides pensions calculated at 2% of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

AON Consulting Inc. performed the valuation of the Plan as at September 30, 2008 and extrapolated the valuation to December 31, 2008. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, rate of salary increases, mortality, retirement rates, and inflation. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	2009	2008
Expected long-term rate of return on plan assets	6.25%	6.00%
Discount Rate	7.50%	5.35%
Salary increases	3.50%	3.50%
Indexing increases to pensions as % of Consumer Price Index	70%	70%
Expected average remaining service life	1.4 years	4.0 years

A 1% change in the following assumptions would impact the accrued benefit obligation as described below:

Assumption	Impact (% of ending accrued benefit obligation)
Discount rate	8.80
Salary	0.10
Inflation	2.15

SLGA's pension costs are included in salary, wages, and benefits on Schedule 1.

	2009 (000's)	2008 (000's)
Current service cost – defined benefit plan	$ 506	$ 666
Current service cost – defined contribution plan	2,407	2,335
Interest cost	4,019	2,988
Expected return on pension plan assets	(855)	(921)
Interest and employee contributions on transfer in	—	(323)
Amortization of net transitional obligation	268	535
Amortization of actuarial losses	(4,036)	1,704
	$ 2,309	$ 6,984

Information about SLGA's defined benefit plan is as follows:

	2009 (000's)	2008 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 54,530	$ 56,517
Current service cost – employer	506	666
Current service cost – employee	133	164
Interest cost	4,019	2,988
Benefits paid	(3,159)	(2,983)
Experience (gain) loss	(10,184)	(2,822)
	$ 45,845	$ 54,530
Plan Assets		
Fair value of plan assets, beginning of year	$ 14,897	$ 16,233
Actual return on plan assets	(2,014)	427
Employer contributions	597	733
Employee contributions	133	164
Interest and employee contributions on transfer in	—	323
Benefits paid	(3,159)	(2,983)
Fair value of plan assets, end of year	$ 10,454	$ 14,897
Funded status	$ 35,391	$ 39,633
Unamortized transitional obligation	—	(268)
Unamortized net actuarial gains/(losses)	2,432	(695)
Accrued pension liability	$ 37,823	$ 38,670

The plan holds all of its assets in various pooled funds. The Plan's holdings consist of 20.6% (2008 – 20.9%) in a Canadian equity pooled fund, 30.2% (2008 – 27.4%) in foreign equity pooled funds, 42.5% (2008 – 41.7%) in a bond and debenture pooled fund and 6.7% (2008 – 10.0%) in a money market pooled fund.

The forecast of net cash outflows (cash outflows net of cash inflows) for the Plan have been determined using the long-term assumptions noted above and are described below. The cash inflow is the amount of contributions received by the defined benefit plan and the cash outflow is the amount required to pay all pension obligations. The net cash outflows include a 6.25% (2008 – 6.0%) assumed rate of return on investments.

	Net Cash Outflow (000's)
Next 5 years	$ 1,384
Next 10 years	$ 3,021
Next 30 years	$ 8,175

The accrued pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, the determination of the fair value of the pension liability is not practicable.

10. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

Effective June 11, 2007 the Province and the Federation of Saskatchewan Indian Nations (FSIN) agreed to amend the 2002 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of *The Criminal Code of Canada*. This amendment also permitted SIGA to retain $5 million from slot machine operations as a one-time capital reserve for the sole purpose of acquiring capital assets. This $5 million is a receivable due from SIGA and is included in slot machine receivable disclosed in Note 7.

The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, the 1995 Framework Agreement, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust, and the Community Development Corporations.

To implement the Framework Agreement, SLGA and SIGA made agreements for casino operations and slot machine management. The Casino Operating Agreement requires SIGA to pay the net profits from slot machines to SLGA. This agreement also ensures SLGA recovers the cost of slot machines, the related computer system, and interest over five years.

Also under the Agreement, SIGA has granted a first charge security interest on all its present and after acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2009, SIGA owes $65.6 million under a $79 million long-term financing agreement with a financial institution (Bank) (Note 11). SLGA has postponed its security in regards to this financing agreement.

In order to manage its interest rate exposure, SIGA entered into separate interest rate swap arrangements for its long-term debt related to the Dakota Dunes, Living Sky and Painted Hand construction projects. The interest rate swaps came into effect on April 1, 2008 and April 1, 2009. These swap arrangements fixed the interest rates at 4.94% to 5.09% for the duration of the long-term debt (March 31, 2023 and March 31, 2024).

Under the Casino Operating Agreement between SIGA and SLGA, SIGA is permitted to charge its losses from table games and ancillary operations as an expense of slot machine operations. As well, the Casino Operating Agreement requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from SLGA.

Effective for the year ended March 31, 2008 and subsequent years, the Casino Operating Agreement between SIGA and SLGA has been amended to exclude unrealized gains and losses on the interest rate swaps initiated on December 12, 2007, from the calculation of net Casino profits payable to SLGA. These unrealized gains and losses are netted against the slot machines receivable due from SIGA disclosed in Note 7. As of March 31, 2009, the accumulated unrealized loss reducing the slot machines receivable was $10,360 thousand (2008 - $3,014 thousand).

In addition, under an agreement with Saskatoon Prairieland Park Corporation (SPPC), SIGA is required to pay SPPC compensation for the closure of its casino (Note 11).

During the year, SIGA charged losses as an expense of slot machine operations, and paid IGR and SPPC as follows:

	2009 (000's)	2008 (000's)
Table games revenues	$ 8,857	$ 7,166
Table games expenses	10,923	8,272
Net losses from table games	$ 2,066	$ 1,106
Ancillary operations revenues	$ 7,028	$ 5,492
Ancillary operations expenses	16,427	11,635
Net losses from ancillary operations	$ 9,399	$ 6,143
Total losses expensed	11,465	7,249
IGR payment	2,607	2,925
SPPC payment	2,600	1,670
	$ 16,672	$ 11,844

11. Commitments

SLGA

Leases: SLGA, as lessee, is committed to pay under operating leases on leased premises the following minimum amounts in future years:

Year Ending March 31		(000's)
2010	$	3,644
2011		3,285
2012		2,610
2013		2,458
2014		2,365
Subsequent years		1,650
Total	$	16,012

In 1995, SLGA entered into an agreement with SPPC regarding the maintenance of a certain level of its income pending the closure of its Emerald Casino. This agreement expired on August 10, 2007, when SIGA opened the Dakota Dunes Casino. In 2009, SLGA provided funding of $nil (2008 - $2,348 thousand) to SPPC, which is recorded as part of the VLT site commission expense.

SIGA Leases, Sponsorships, Casino and Debt

Under the Casino Operating Agreement, SLGA allows SIGA to recover its costs for approved casino operating expenses, contractual obligations, and commitments from SLGA's slot machine revenues. SIGA's contractual obligations and commitments are as follows:

Operating leases: SIGA has obligations under casino operating leases for buildings, equipment and vehicles. SIGA has also previously committed to providing sponsorship funding to various agencies. The minimum lease payments over the next five years are as follows:

Year Ending March 31		Leases (000's)		Sponsorships (000's)
2010	$	4,410	$	100
2011		3,568		
2012		3,400		
2013		3,260		
2014		2,976		
	$	17,614	$	100

The above commitments include amounts committed to parties related to SIGA totalling $1,174 thousand for years 2010 through 2014.

Capital Leases: SIGA has entered into capital lease agreements for the Dakota Dunes, Living Sky and Painted Hand Casinos with related parties. The minimum lease payments under these capital lease obligations are as follows:

Year Ending March 31		(000's)
2010	$	5,842
2011		5,873
2012		5,873
2013		5,873
2014		5,873
Subsequent years		77,506
Total	$	106,840

Due to the related party nature of the capital lease obligation, fair value information has not been disclosed as fair value cannot be reliably measured.

Long-term debt: In 2007, SIGA made a long-term financing agreement with the Bank for $79 million to finance the new casino projects. As of March 31, 2009, SIGA owes $65,615 thousand (2008 - $44,996 thousand) under this agreement at interest rates varying from 4.94% to 5.09%.

SIGA's principal repayments are as follows:

Year Ending March 31		(000's)
2010	$	28,587
2011		2,535
2012		2,596
2013		2,669
2014		2,556
Subsequent years		26,672
Total	$	65,615

Other: The Casino Operating Agreement requires SIGA to transfer to IGR funds to support IGR's annual operating budget. For 2010, the budgeted transfers are $3,112 thousand (2009 - $2,936 thousand).

As well, under an agreement with SPPC and effective August 10, 2007, SIGA began paying SPPC $2,600 thousand annually, subject to certain conditions, for 30 years payable in monthly installments of $217 thousand. In 2009, SIGA paid $2,600 thousand (2008 - $1,670 thousand) to SPPC, which is recorded as part of the SIGA other operating expenses.

12. Liquor Sales

	2009 (000's)	2008 (000's)
Wines, coolers and spirits		
In stores:		
-To permittees	$ 55,953	$ 52,064
-To public	180,209	167,289
	236,162	219,353
To franchisees:		
-To permittees	7,280	6,538
-To public	21,914	21,251
	29,194	27,789
	265,356	247,142
Beer		
-To permittees	138,991	133,506
-In stores	92,550	81,209
-To franchisees	9,574	7,891
	241,115	222,606
Total	$ 506,471	$ 469,748

13. 2009 Budget

These amounts represent the budget approved by Treasury Board.

14. Segmented Information

SLGA operates in four segments – liquor, VLT, slots in SIGA casinos, and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment reflects the operation of the VLT program under the authority of Section 207 of *The Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997.*

The slots in SIGA casinos segment reflect the operations of SLGA's slot machines in SIGA casinos (see Note 10).

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles, and breakopen ticket sales and the regulation and support of the horse racing industry. The Other Gaming segment also includes the breakopen vending machine program.

The breakopen vending machine operations consists of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of SLGA, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. The breakopen operation had revenues net of prizes of $671 thousand (2008 - $631 thousand) and expenses (including operating expenses, Goods and Services Tax, and distributions to charities) of $624 thousand (2008 - $709 thousand) for the year. Included in Other Gaming segment is a $47 thousand gain (2008 - $78 thousand loss) relating to the breakopen operation.

Key amounts by segment as follows:

	SEGMENTS					
	2009 (000's)					2008 (000's) Restated (Note 20)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	$ 506,471	$ 240,991	$ 217,668	$ —	$ 965,130	$ 895,192
Other Income	1,698	69	—	871	2,638	4,369
Total Revenues	508,169	241,060	217,668	871	967,768	899,561
Promotional Allowances	—	—	6,788	—	6,788	6,387
Direct Expenses	254,025	36,556	—	—	290,581	276,319
Operating Expenses	56,994	8,888	143,660	18,554	228,096	215,842
Total Expenses	311,019	45,444	150,448	18,554	525,465	498,548
Subtotal	197,150	195,616	67,220	(17,683)	442,303	401,013
Unrealized loss on Interest rate swaps (Note 18)	—	—	(7,346)	—	(7,346)	(3,014)
Net income (loss)	197,150	195,616	59,874	(17,683)	434,957	397,999
Retained earnings (deficit) beginning of year	(609)	—	(1,489)	43	(2,055)	(585)
Transfer to General Revenue Fund	196,541	195,616	69,359	(14,864)	446,652	399,531
Retained earnings (deficit) end of year	$ —	$ —	$ (10,974)	$ (2,776)	$ (13,750)	$ (2,117)
Property, plant and equipment purchases	$ 1,949	$ 225	$ 11,331	$ —	$ 13,505	$ 22,123
Amortization	$ 4,067	$ 1,093	$ 8,380	$ 511	$ 14,051	$ 25,275

15. Related Parties

These financial statements include transactions with related parties. SLGA is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SLGA is related to non-crown enterprises that the Government jointly controls or significantly influences. In addition, for financial reporting purposes, SLGA is considered a related party to SIGA because of its significant influence over SIGA's operations.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. These transactions are as follows:

Category	2009 (000's)	2008 (000's)
Salaries, wages, and benefits	$ 3,695	$ 8,404
Rent, utilities, and insurance	3,298	3,157
Customer service programs	715	664
Communications	579	402
Accounts payable and accrued liabilities	2,428	2,259

In addition, SLGA pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

SLGA collected the following amount for the Ministry of Finance:

	2009 (000's)	2008 (000's)
Container deposits on domestic beer sales	$ 23,629	$ 22,322
Liquor Consumption Tax	27,874	25,325
Container deposits on all wine, cooler, spirit and Imported beer products	5,974	5,850

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

16. Contingencies

As part of ongoing operations SLGA faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against SLGA, which the ultimate outcome is not yet determinable. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

17. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SIGA casinos for SLGA and the breakopen vending machines on behalf of SLGA. For the year ended March 31, 2009, WCLC charged SLGA $12,495 thousand (2008 - $11,620 thousand) to operate the VLT, slot machine program and the breakopen vending machines for the year.

18. Financial Instrument Risks

SLGA is exposed to a number of financial risks in the normal course of operations.

Credit and Interest Rate Risk

SLGA is exposed to minimal credit and interest risks from the potential non-payment of accounts

receivable as most receivables are either short-term and are collected shortly after year end or are from SIGA. SLGA exerts significant influence over SIGA's operations and SIGA remits the amount owing to SLGA in accordance with the Casino Operating Agreement described in Note 10. The VLT receivable is collected shortly after March 31 in accordance with the agreement for services between SLGA and WCLC as described in Note 17.

The maximum credit risk from these financial instruments is limited to the carrying value of the financial assets summarized below:

	2009 (000's)	2008 (000's)
Cash	$ 5,251	$ 1,618
Due from General Revenue Fund	39,645	46,356
Accounts Receivable	34,070	47,722
	$ 78,966	$ 95,696

As described in Note 2(h), SLGA is exposed to the SIGA's credit and interest rate risks. SIGA's financial instrument risks arise mainly from its bank financing ($65,615 thousand – March 31, 2009; $44,976 thousand – March 31, 2008) and its interest rate swap arrangements which are partially offset by changes in interest rates on its variable borrowings. At March 31, 2009, if interest rates at that date had changed 100 basis points, with all other variables held constant, SLGA's net income would have changed $3,581 thousand.

As of March 31, 2009, there was no impairment required on any of the financial assets of SLGA and SIGA.

Foreign Currency Exchange Risk

SLGA is exposed to foreign exchange risk due to purchase transactions for liquor and electronic gaming machines. As of March 31, 2009, SLGA had $332 thousand (2008 - $451 thousand) in United States (U.S.) financial liabilities. SLGA is also exposed to foreign exchange risks resulting from a U.S. dollar denominated cash deposit account. This U.S. dollar denominated cash deposit account is included in SLGA's group of Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. As of March 31, 2009, SLGA has $427 thousand (2008 – $189 thousand) in this account.

In 2009, SLGA recorded a $860 thousand loss (2008 - $483 thousand gain) due to the variation in the foreign exchange rates.

To date, SLGA has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

Liquidity Risk

Liquidity risk is the risk that SLGA will not be able to meet its financial obligations as they fall due. The majority of SLGA operational activity involves cash sales and short-term accounts receivables. SLGA relies on funds generated from its operations to meet operating requirements and to finance capital investment.

19. Capital

SLGA's capital structure consists of short term and long term debt, cash and cash equivalents, and retained earnings. The Treasury Board determines the disposition of SLGA's retained earnings (Note 4). SLGA management's objectives to manage its capital are to use capital to provide an appropriate return on investment to the Government of Saskatchewan and to preserve financial flexibility in order to maintain SLGA's ability to meet financial obligations.

SLGA does not set a target rate of return on capital for managing its operations but rather promotes year-over-year sustainable profitable growth. SLGA is not subject to any externally imposed capital requirements.

20. Comparative Figures

Certain prior year balances have been reclassified to conform to the current year's financial statement presentation.

During the preparation of SIGA's March 31, 2009 financial statements, it was determined that the fair value of SIGA's interest rate swaps as at March 31, 2008 were understated by $2,178 thousand. As a result, the 2008 comparative figures have been restated to reflect a $836 thousand decrease to the slot machine operating expenses and a $3,014 thousand increase to unrealized losses on interest rate swaps resulting in a $2,178 thousand decrease to the net income in SIGA Casinos, and a $2,178 thousand decrease to the slot machine receivable due from SIGA.

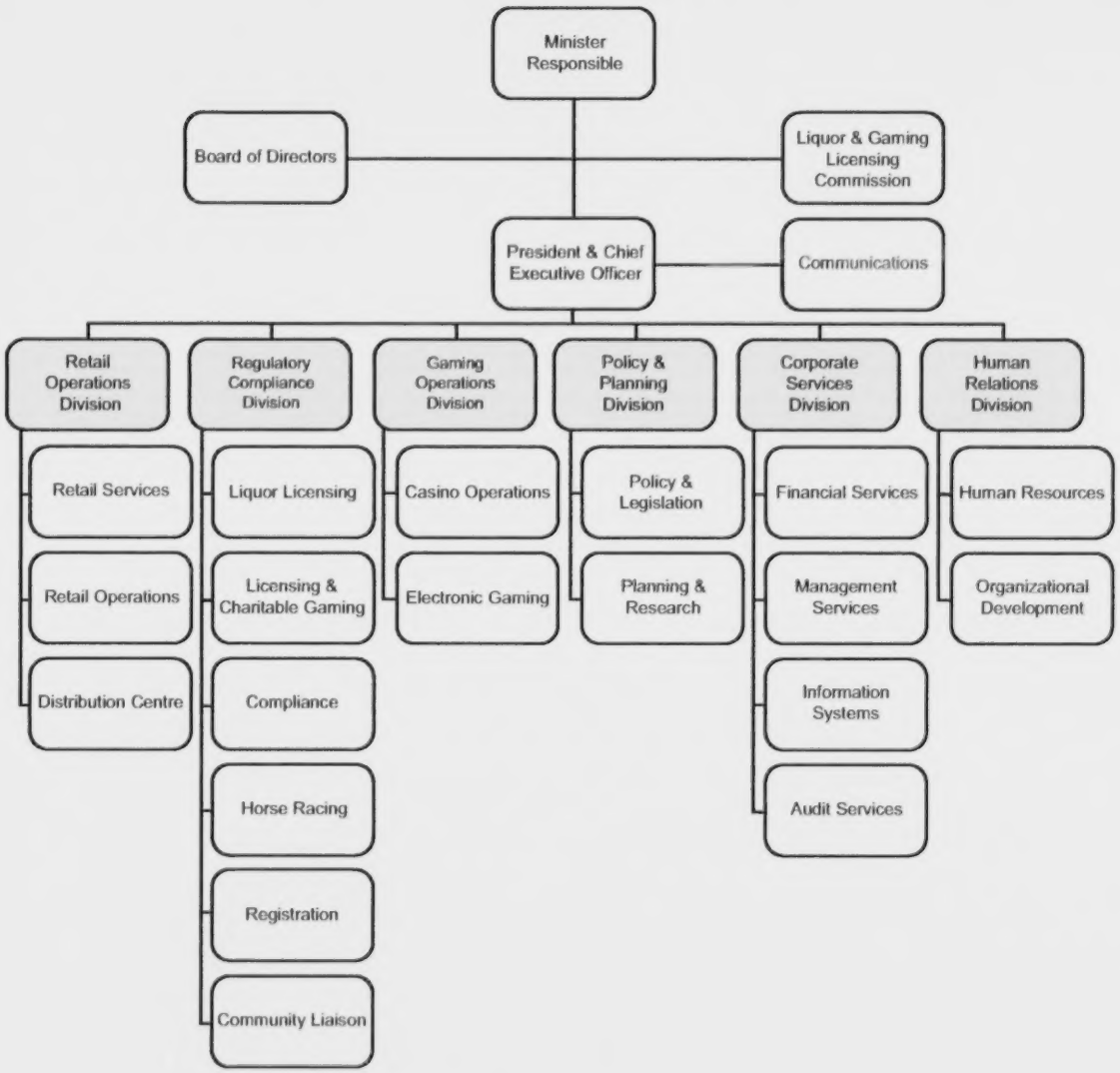
Schedule 1

LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	VLT, Liquor & Other Gaming		Slots in SIGA Casinos*		Total	
	2009	2008	2009	2008	2009	2008
	(000's)	(000's)	(000's)	(000's) Restated (Note 20)	(000's)	(000's) Restated (Note 20)
Salaries, wages and benefits	$ 42,280	$ 50,067	$ 48,771	$ 39,770	$ 91,051	$ 89,837
Advertising, printing and promotion	87	69	24,220	15,372	24,307	15,441
Operations and maintenance	1,788	1,060	17,219	14,006	19,007	15,066
Rent, utilities and insurance	6,729	6,886	8,022	6,712	14,751	13,598
Property, plant and equipment amortization	5,671	18,628	8,380	6,647	14,051	25,275
Professional and contractual services	6,583	6,952	7,009	5,793	13,592	12,745
Grants (Note 2g)	9,069	10,330	—	—	9,069	10,330
Goods and Services Tax	2,106	2,317	4,661	3,966	6,767	6,283
Service charges and interest	546	526	3,294	2,925	3,840	3,451
Travel and business	1,351	1,120	1,727	1,007	3,078	2,127
Stationery and supplies	1,444	1,323	1,537	1,119	2,981	2,442
Debit/Credit charges	2,553	2,107	—	—	2,553	2,107
Communications	1,237	1,205	792	640	2,029	1,845
Information technology	1,628	1,279	—	—	1,628	1,279
Sundry	535	379	812	546	1,347	925
Customer service programs	760	720	—	—	760	720
Honoraria and related expenses	69	61	544	466	613	527
Indigenous Gaming Regulators (Note 10)	—	—	2,607	2,925	2,607	2,925
Saskatoon Prairieland Park Corporation (Note 10)	—	—	2,600	1,670	2,600	1,670
SIGA table and ancillary operation losses (Note 10)	—	—	11,465	7,249	11,465	7,249
	$ 84,436	$ 105,029	$ 143,660	$ 110,813	$ 228,096	$ 215,842

*Represents operating costs of SIGA Casinos.

Appendix A
SLGA Organizational Chart



Appendix B

Summary of SLGA's Partners and Stakeholders

Bingo Charity Associations and Individual Non-profit Groups. Charity associations and individual non-profit groups are the traditional beneficiaries of the gaming industry.

Brewers Association of Canada. Represents the major breweries as well as several regional and microbreweries. www.brewers.ca

Canadian Restaurant and Foodservices Association (CRFA) (Saskatchewan Division). The CRFA has approximately 600 members in Saskatchewan including both liquor-permitted and non-permitted establishments. www.crfa.ca

Canadian Vintners Association. This is a national association dedicated to the promotion and well being of Canada's wine sector. www.canadianvintners.com

Canadian Centre on Substance Abuse (CCSA). The Canadian Centre on Substance Abuse is Canada's national addictions agency. Its mission is to provide objective, evidence-based information and advice that will help reduce the health, social and economic harm associated with substance abuse and addictions. www.ccsa.ca

Federation of Saskatchewan Indian Nations (FSIN). The FSIN represents 74 of Saskatchewan's First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. www.fsin.com

Indigenous Gaming Regulators (IGR). IGR licenses and regulates table games at SIGA casinos and on-reserve charitable gaming activities of those First Nations that have designated IGR as their regulator. www.igr.ca

Non-Profit Clubs. Consists of ethnic associations, service clubs, veteran organizations and sporting clubs (including golf and curling) that have a permanent facility/clubhouse and a special use permit (as opposed to those groups who use special occasion permits and may or may not have a permanent location).

Pollard Banknote Limited. Pollard Banknote is Saskatchewan's sole source for breakopen gaming tickets. www.pollardbanknote.com

Responsible Gambling Council (RGC). The RGC is a non-profit organization that works with individuals and communities to address gambling in a healthy and responsible way. The Council undertakes research and public awareness programs designed to prevent gambling-related problems. www.responsiblegambling.org

Saskatchewan Government and General Employees Union (SGEU). Ninety-one per cent of SLGA employees are unionized and represented by SGEU. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). Established in 1932, approximately 475 hotels and motels belong to SHHA. They represent both hotel owners and operators in urban areas and rural communities. www.hotelsofsask.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's six First Nations casinos on behalf of the FSIN. www.siga.sk.ca

Saskatchewan Responsible Gaming Association (SRGA). Founded in 2001, the SRGA is a non-profit organization whose purpose is to bring together gaming industry stakeholders to promote and advance responsible gaming initiatives. www.saskresponsiblegaming.com

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents all of the rural liquor franchises. Franchises are licensed by SLGA to sell beverage alcohol in rural communities across the province.

Saskatchewan Tourism and Education Council (STEC). STEC delivers the *Serve it Right: Its Good Business* program. The program helps operators and servers of liquor permitted establishments understand their duty of care and promote responsible use, while maintaining or enhancing profits. www.stec.com

Saskatchewan Wine and Spirits Association (SWSA). SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

Spirits Canada. Spirits Canada, also known as the Association of Canadian Distillers, is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.canadiandistillers.com

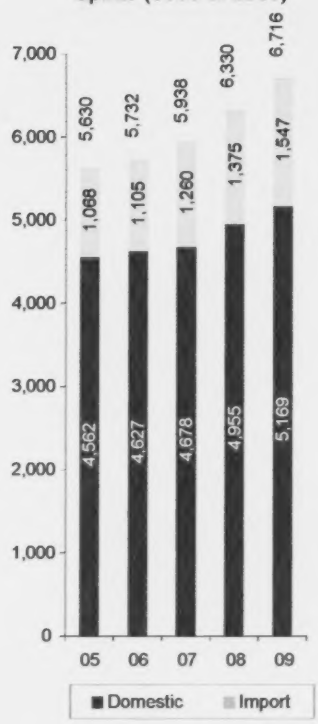
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to operate gaming-related activities as agent for SLGA. www.wclc.com

Appendix C

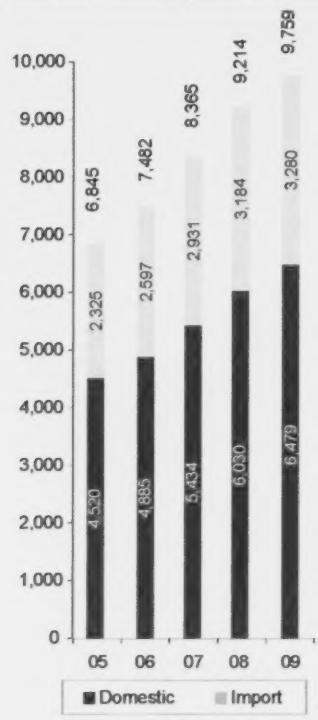
Volume of Sales – Five Year History

Financial years ending March 31

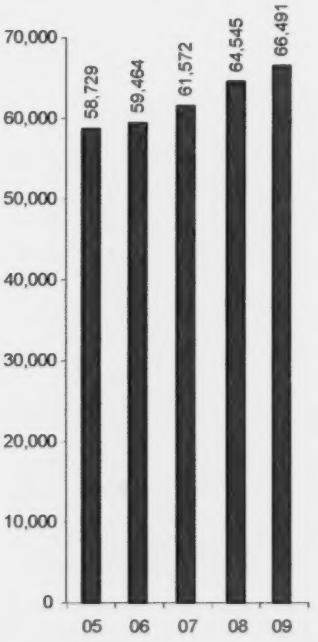
Spirits (000s of litres)



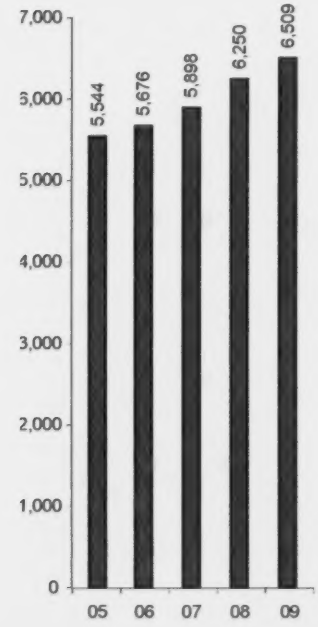
Wine and Coolers (000s of litres)



Beer (000s of litres)



Absolute Alcohol (000s of litres)

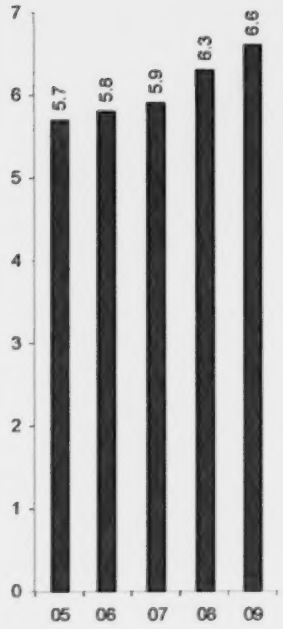


Appendix D

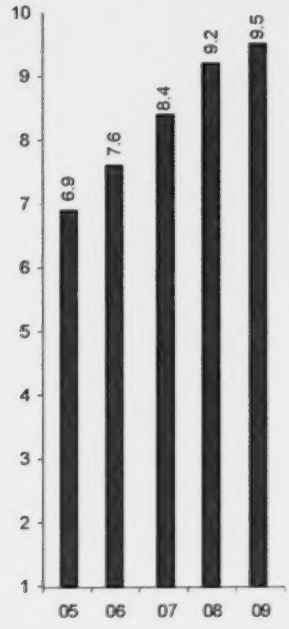
Per Capita Sales – Five Year History

Financial years ending March 31

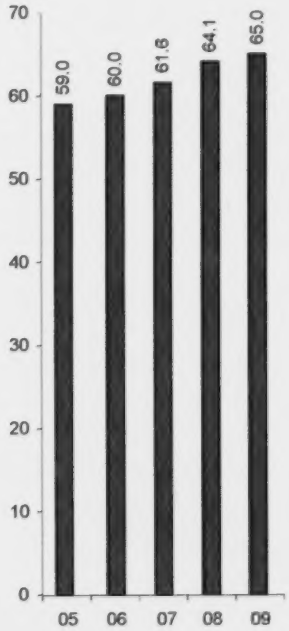
Spirits (litres)



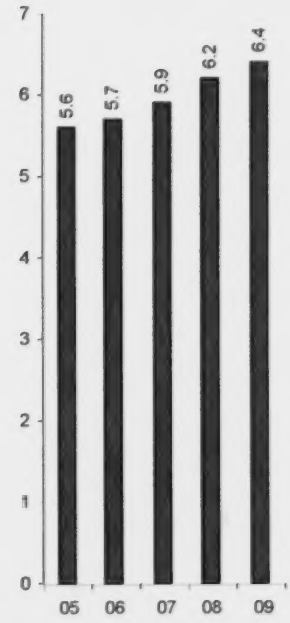
Wine and Coolers (litres)



Beer (litres)



Absolute Alcohol (litres)



Appendix E

Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission (Commission) is an independent body which reviews:

a) decisions of the Saskatchewan Liquor and Gaming Authority (SLGA) with respect to liquor and gaming licensing, registration and cancellation/suspension matters within SLGA's jurisdiction, including its jurisdiction over Saskatchewan Gaming Corporation (SGC) and Saskatchewan Indian Gaming Authority (SIGA) casinos, horse racing, off-reserve bingo and all provincial liquor permittees;
b) decisions of casino operators SIGA and SGC respecting involuntary casino bans of patrons from their respective casinos;
c) decisions of the Indigenous Gaming Regulators (IGR) respecting on-reserve gaming such as bingo.

The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing the liquor, gaming and horse racing industries over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensed party who disagrees with a decision of SLGA, SIGA, SGC or IGR that is within the Commission's jurisdiction has the right to apply to the Commission for a review. In most circumstances, the Commission stays the decision in issue pending the outcome of the Commission's review. Similarly, any individual (such as a casino patron) who has been involuntarily banned from a casino may request a review before the Commission.

During 2008-09, the Commission scheduled and held 36 hearings to address the same number of requests for review of various decisions made by SLGA, SGC and SIGA. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Twenty seven hearings were held in Regina, eight hearings were held in Saskatoon and one in Swift Current.

The applications have included reviews of SLGA's decisions to suspend and deny liquor permits of various establishments, decisions to cancel certificates of registration to individuals in respect to gaming, to review involuntary casino bans handed down by SGC and SIGA and to review disqualifications and interference issues in contravention of the Rules of Racing in the horse racing industry. As well, the Commission reviews objections by the public to the granting of permits. The Commission may decline to hear objections to liquor applications that are competition based, frivolous or vexatious. During 2008-09, an objection was received to the issuing of a permit, but no objection hearing was held as the objection was denied after being reviewed by the Commission.

Of the 36 hearings held during the past fiscal year, 10 were liquor related, comprised of assessments of penalties and suspensions and denials of permits. Twelve hearings were gaming related, comprised of nine denials, two suspensions and one cancellation of gaming employee Certificates of Registration. There were four hearings held with respect to horse racing, involving violations of the horse racing rules. There were 10 casino ban reviews.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record and are maintained in the office of the Commission Registrar.

A new Commission was appointed by Order-In-Council in September 2008.

The Commission members as of March 31, 2009:

Elaine R. Morgan, Chairperson, Gainsborough
Rod Sexsmith, Vice-Chairperson, Prince Albert
Sid Katzman, Secretary, Saskatoon
Theodore (Ted) Gleim, Member, Eastend
Rick Gamble, Member, Duck Lake
Murray Coulter, Member, Arborfield
Lawrence Skoretz, Member, Ituna

The Commission also has a part-time Registrar.

Since 1997, the Commission has initiated procedural changes and is constantly developing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to SLGA regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up-to-date in the changing environment of administrative law and the industries it regulates through its own research.

Appendix F

SLGA Fact Sheet: 2008-09 Results at a Glance

Financial	
SLGA net income	$435.0 M
SIGA net income	$59.9 M
Total gross liquor sales	$506.5 M
Liquor net income	$197.2 M
VLT net income	$195.6 M
VLT site commission	$36.6 M
Franchise commission	$6.2 M
Off-sale permittee beer discount	$8.5 M
Structure and Organization	
Number of SLGA employees	1,085
Number of retail liquor stores	79
Number of communities with SLGA stores	64
Number of off-sale outlets	457
Number of liquor franchises	188
Total number of liquor outlets	724
Number of liquor products listed by SLGA	2,374
Number of casinos	8
Number of slot machines in SIGA casinos	1,870
Number of slot machines in SGC casinos	995
Number of VLTs	3,991
Number of communities with VLTs	313
Number of VLT sites	646
Compliance and Licensing	
Number of commercial liquor permittees	1,666
Number of special occasion permits issued	15,774
Number of investigations	2,456
Number of inspections	6,282
Number of sanctions (liquor, gaming, and horse racing)	309
Number of registered gaming employees	3,721
Number of registered gaming suppliers	78
Charitable Gaming and Horse Racing	
Total gross bingo sales (before prizes awarded)	$59.7 M
Total gross raffle sales (before prizes awarded)	$37.5 M
Total gross breakopen sales (before prizes awarded)	$12.2 M
Total gross Texas Hold'em and Monte Carlo event sales	$0.5 M
Total net proceeds to charity (bingo, raffle, breakopen, Texas Hold'em & Monte Carlo)	$26.4 M
Number of bingo halls	15
Total number of bingo, raffle, breakopen, Texas Hold'em & Monte Carlo licenses	3,177
Total grants paid to charitable gaming licensees	$6.7 M
Total provincial handle (all horse racing wagers)	$11.4 M
Total grants paid to the horse racing industry	$1.5 M
Race tracks receiving grant support from the province	3

All data as of March 31, 2009

Where to Obtain Additional Information

If you have any questions or comments about SLGA's Annual Report, or if you have specific questions about the programs and services provided by SLGA, please contact:

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www.slga.gov.sk.ca
(306) 787-4213